



State of Louisiana
Department of Health and Hospitals
Bureau of Health Services Financing

April 18, 2011

Dear Administrator or Corporate Officer,

RE: Nursing Home Cost Report Filing Changes and Updates

All cost reports and supporting documentation are to be filed with our cost report acceptance contractor Myers & Stauffer LC. In addition, all Louisiana Medicaid NF cost reports are to be completed using the most recent version of the Microsoft Excel template. The most recent version of the Medicaid NF cost report is located on the web at:

<http://la.mslc.com/downloads.aspx>

Cost Reports are due five (5) months after the nursing facility's cost report period ends. Thus, cost reports with a December 31, 2010 year end are due to Myers & Stauffer LC by **May 31, 2011**.

Refer to the Louisiana Medicaid NF cost report "Instructions" tab and "Schedule L: Required Items" when preparing your facility's cost report. Any cost report submitted to Myers & Stauffer with missing documents, signatures, central office or management company's cost report and supporting documentation, etc, as noted on Schedule L will be considered incomplete and will not satisfy the requirements for timely filing. As stated in Section C-2(d) of your Provider Agreement with the State of Louisiana, a penalty of 5% of the total monthly payment for each month of non-compliance will be imposed. This penalty may be progressive by 5% for each succeeding month until all completed information is received.

Please pay close attention to the following requirements:

Changes to Schedule B of the Louisiana Medicaid NF Cost Report:

1. Census day by month for each payor type is required on Lines 4.01 through 4.13

- a. **Census Days** – Census days reported on Schedule B of the Medicaid NF cost report and Worksheet S-3 of the Medicare cost report must agree to the monthly detailed census reports maintained by the provider.

- b. **Allowable Leave Days** - All hospital and home leave days paid by Medicaid **MUST** be reported on Lines 4.01 through 4.12, column (m) on Schedule B of the Louisiana Medicaid NF Cost Report. The census records maintained by the provider must properly identify and accumulate all hospital and home leaves paid by Medicaid to support the days reported on the Louisiana Medicaid NF Cost Report.
 - c. **Paid Bed Hold Days** – All hospital and home leave days paid by non-Medicaid payers and excess home and hospital leave days for Medicaid residents for which a payment is received from the resident or responsible party must be reported on Lines 4.01 through 4.12, column (n) of Schedule B of the Louisiana Medicaid NF Cost Report.
- 2. Gross revenue and contractual adjustment by payor is required on Line 9 and Line 9.01** – Net revenue on Line 9.02, column (l) should agree to net revenue reported on Worksheet G-3, line 3 of the Medicare cost report.

New Schedule F-4 Reconciliation of Pass Through Costs to Supporting Documentation – The purpose of this new schedule is to assist providers in gathering the required documentation needed to support property taxes and property insurance reported on Schedule F-1 of the Medicaid cost report. Detailed instructions are included in the Instructions tab of the excel template. The totals on Schedule F-4 should agree to the sum of Lines 1.00 and 1.01 for property taxes and the sum of Lines 2.00 and 2.01 for property insurance. Copies of all property tax notices and related cancelled checks and copies of all property insurance invoices/premium notices and related cancelled checks must be submitted with the cost report. Also, allocation schedules which reconcile property insurance invoice amounts to the property insurance expense amounts reported on the cost report must be submitted.

Note: Property taxes and property insurance related to leased space or other space not used for resident care purposes should not be reported as allowable costs on the Medicare cost report and therefore, should be removed from property taxes and property insurance reported on Schedule F-1 and F-4. The provider should attach documents supporting the computation of the amounts removed.

Schedule J of the Louisiana Medicaid NF cost report – All input amounts required on Schedule J must agree to the final as-filed Medicare cost report and the final DHH rate letters for the cost report period. It is imperative that this schedule be completed fully and accurately. Providers should separate Worksheet A-6, A-8 and A-8-1 adjustments between salary and other for lines 43 through 58. See detailed instructions for this schedule in the Instructions tab in the excel template.

Support for Medicare cost report Worksheet B-1 square footage statistical information- The provider is required to maintain appropriate documentation supporting the statistical information reported on Worksheet B-1 of the Medicare cost report. Specifically, to support square footage, the provider should maintain detailed documentation of the

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measurement of the facility. This measurement should reconcile to the square footage by cost center that is reported on Worksheet B-1 of the Medicare cost report. This measurement would ideally be obtained from the detailed blueprint or architect's drawing of the facility. If that is not available, the provider should perform a measurement or engage a qualified professional to perform a measurement.

Private Room Conversion- Providers who are participating in the Department's Private Room Conversion Program should maintain census records that segregate the number of census days per month in the rooms identified for Private Room Conversion. The provider should develop a unique census code to identify such census days. These days should be reported on line 8 on Schedule B of the Louisiana Medicaid NF cost report.

For more detailed information on cost report preparation please refer to the attached detailed instructions as well as the handouts from the most recent cost reporting training held on December 18, 2008 which can be found on the DHH website at: **www.dhh.la.gov/rar**

If you require further information, please contact Denis S. Beard at (225) 342-6116.

Sincerely,



Denis S. Beard, Program Manager
Rate and Audit Review

DSB

Attachments

cc: Myers & Stauffer
Postlethwaite & Netterville

DETAILED INSTRUCTIONS FOR FILING NURSING HOME COST REPORT(S) FOR YEARS ENDING 06/30/10 AND FORWARD

The cost report packet submitted to Myers & Stauffer will be reviewed to determine if all required information was received timely. The packet must include an electronic copy of the Louisiana Medicaid NF cost report in the most current Excel template, an electronic copy of the Medicare cost report in ECR format and all of the following applicable supporting documentation as listed on Schedule L of the Louisiana Medicaid NF cost report:

- Signed and dated Certification Page of the Louisiana Medicaid NF Cost Report
- Signed and dated Certification Page of the Medicare Cost Report (W/S S, Parts I & II)
- The grouping schedule (crosswalk) that ties to the Medicare cost report (must include totals by cost center that agree to columns 1 and 2 on Worksheet A and to Worksheets, C, G, G-1, G-2 and G-3)
- Supporting documentation for Medicare Worksheet A-6, A-8, A-8-1 reclassifications and adjustments (or Schedules B-1, C and D for Home Offices)
- Supporting documentation for Schedule I-1 adjustments (or Schedule I-2 for Home Offices)
- Signed and completed cost report reimbursement questionnaire (CMS 339)
- Annual audited financial statements. If not audited submit a copy of the compiled reviewed or internal financial statements
- Medicare PS&R for the cost report period
- Straight-line depreciation schedule that reconciles to the Medicare cost report
- Lease agreements
- Loan agreements
- Amortization schedules
- IRS payroll forms 941 and/or state unemployment tax reports
- Facility license
- Management company contract
- Related party central office/management company allocation schedule
- Property tax notices and related cancelled checks
- Property insurance invoices/premium notices and cancelled checks
- Allocation schedule which reconciles property insurance invoice amounts to the property insurance expense reported on Lines 1 and 2 on Worksheet A of the Medicare cost report and to Lines 2.00 and 2.01 on Schedule F-1 on the Medicaid NF cost report
- Supporting documentation for administrator and assistant administrator salaries reported on Schedule F (ex: W-2 with reconciliation to the accrual basis salaries reported on Medicare Worksheet A)

A signed and completed Medicare Home Office cost report and Louisiana Medicaid NF cost report and **ALL** required attachments for both cost reports should be completed and submitted for all home offices.

Cost Report files **MUST** be submitted electronically to Myers & Stauffer using the e-mail address: (LANF@mslc.com). All other items should be mailed **or** scanned and e-mailed to Myers & Stauffer. If mailing items, please submit **ALL SUPPORTING DOCUMENTATION** numbered, as specified on Schedule L of the Louisiana Medicaid NF cost report, and in numerical order. Before sending cost reports or supporting documents electronically, please review the file name format requirements listed at the bottom of Schedule L. When mailing documents to Myers & Stauffer please **DO NOT** staple any of them.

Below are other issues which require your attention:

Rate Warning:

DHH will include costs in your Medicaid case-mix rate and direct care/care-related floor calculations based on both your Medicare cost report and your Louisiana Medicaid NF cost report. To ensure all of the appropriate costs are included in your rate and your floor calculations, it is important that you review the Case Mix Cross-Walk tab of the Medicaid Excel cost report template to see which cost centers are included from your Medicare cost report and then properly complete your Medicare cost report and your Louisiana Medicaid NF cost report. We have attached a copy of the cross-walk to this memo for your convenience.

While the Medicare regulations may allow more than one option for classifying costs, Medicaid will only recognize costs in a rate and floor component based on the case mix cross-walk shown on the Case Mix Cross-Walk Tab of the Medicaid Excel cost report template. If a facility chooses to classify cost on their Medicare cost report in a manner that excludes that cost from their direct care or care-related rate component and floor, then the cost will forever be excluded from the direct care and care-related rate and floor, unless adjusted at audit or desk review. If there are any questions related to the cross-walk, please contact DHH or Myers and Stauffer for clarification.

Signatures – Original signatures are required on the Louisiana Medicaid NF cost report, the Medicare cost report (2540-96), the home office cost report (287-05) and the cost report reimbursement questionnaire (CMS 339) to be mailed to Myers & Stauffer.

Louisiana Medicaid NF Cost Report – All items reported on the Louisiana Medicaid NF cost report must tie to that amount on the Medicare cost report when indicated. Pay attention to all instructions on the Louisiana Medicaid NF cost report which indicate when a specific amount or description should be obtained from the Medicare cost report. Any submitted cost reports which are inaccurate and do not tie to the Medicare cost report where applicable will be sent back to the provider and will be required to be revised before the cost report packet is considered complete.

In addition, all lines and columns in all sections of the Medicaid NF cost report should be completed even if the appropriate response is “none” or “not applicable” or “\$0”.

Electronic Files – The electronic files required **MUST** be in the correct electronic cost report format: Medicaid NF cost reports in Excel (xls) and Medicare cost report in ECR format (SN__10A). These cost reports and any electronic supporting documentation are to be e-mailed to Myers & Stauffer at LANF@mslc.com. Files submitted in the incorrect format will be rejected.

Salary Maximums – The maximum allowable salary for the Administrator (AS624) is \$122,595. The maximum allowable salary for the Assistant Administrator (AS622) is \$107,078. The salary maximums are effective 7/1/07. Documentation to support the administrator and assistant administrator salaries must be submitted. Such documentation would include payroll journals and W-2's (for calendar year providers). Note: W-2s are on the cash basis and, if provided, should be reconciled to the accrual basis salary reported on the cost report. The administrator salary maximum also applies to all home office personnel.

Depreciation Schedule – The depreciation schedule should tie to depreciation reported on the Medicare cost report. If not, provide a reconciliation work paper. All depreciation schedules must clearly reflect current period depreciation expense.

Purchase of Assets – Fixed assets acquired through a purchase of assets in use in the Medicare/Medicaid programs must be recorded at the original owner's net book value. No step-up in basis is permitted. Depreciation expense and related interest expense, if any, must be adjusted if a step-up in basis was recorded at the time of purchase.

Crosswalk to Worksheets A, C, G, G-1, G-2, G-3 – The trial balance/grouping schedule submitted with the cost report must include cost center totals that agree to columns 1 and 2 on Worksheet A and to Worksheets C, G, G-1, G-2, and G-3 of the CMS Form 2540. Trial balances without cost center totals will be rejected as insufficient support for the costs reported on Worksheet A. The crosswalk should clearly show which accounts are included in each cost center. For example:

Acct Number	Acct Title	Amount
444	Administrator Salary	\$1,000
445	Asst. Admin Salary	\$1,000
446	Clerical Salaries	\$2,000
Total A&G Salaries		\$4,000 – this total should agree to Worksheet A

Allowable Leave Days – Schedule B of the Louisiana Medicaid NF cost report includes a column entitled "Allowable Leave Days." All hospital and home leave days that are paid by Medicaid should be reported in this column and should be excluded from columns a through k. Paid bed hold days should be reported in column n if payment is received from the resident or responsible party after allowable leave days are exceeded for Medicaid residents and for paid leave days for non-Medicaid residents. The provider must maintain census records which identify and summarize allowable leave days and

paid bed hold days. The provider's census records must support the census days reported on the Worksheet S-3 of the Medicare cost report and Schedule B of the Louisiana Medicaid NF cost report.

Property Taxes – All property taxes should be reported on lines 1 and 2 on Worksheet A of the Medicare cost report. Property taxes reported on lines 1 and 1.01 on Schedule F-1 of the Louisiana Medicaid NF cost report should agree to the property taxes reported on Worksheet A of the Medicare cost report. If property taxes paid by a related party lessor are added to allowable costs on Worksheet A-8-1, the provider should include these property taxes on lines 1.00 and 1.01 on Schedule F-1 of the Louisiana Medicaid NF cost report. Property taxes related to the home office should not be reported on Schedule F-1 of the facility's Louisiana Medicaid NF cost report. Copies of the **property tax notices** and **related cancelled checks** are the required supporting documentation for property taxes. Copies of checks only are **NOT** sufficient. This documentation requirement includes any property taxes paid by a related party lessor that are reported as allowable costs on Worksheet A. If a provider is exempt from property taxes, please affirmatively note that exemption in the supporting documentation submitted with the cost report. If the provider's cost report period is not the same as the property tax period, the provider must include all property tax notices that relate to the cost report period and a supporting schedule documenting the amount of each tax notice recorded in the cost report period.

Note: Property taxes related to space leased to others or other space not used for resident care purposes should not be reported as allowable costs on the Medicare cost report and therefore, should be also be removed from property taxes reported on Schedules F-1 and F-4. The provider should attach documents supporting the computation of the amounts removed.

Property Insurance – Only property insurance (including autos) should be reported on lines 1 and 2 on Worksheet A of the Medicare cost report. Other insurance such as general liability, malpractice or employee related health insurance should be reported appropriately in other cost centers. If the provider's general ledger does not segregate insurance for appropriate reporting on Worksheet A of the cost report, the provider must perform an analysis of the insurance amount(s) and make reclassification entries, as necessary, on Worksheet A-6 of the cost report. Property insurance reported on lines 2 and 2.01 on Schedule F-1 of the Louisiana Medicaid NF cost report should agree to property insurance reported on Worksheet A of the Medicare cost report. Property insurance related to the home office should not be reported on Schedule F-1 of the facility's Louisiana Medicaid NF cost report. Copies of **invoices/premium notices** for property insurance and **related cancelled checks** are the required supporting documentation for property insurance. A copy of the financing document only is **NOT** sufficient. The invoice (and any related supporting schedule) must segregate the property insurance from other types of insurance and must include the policy period. If a supporting schedule is included, it should reconcile to the invoices submitted and to the allowable property insurance reported on Worksheet A. Also, if the property insurance premium period is not the same as the provider's cost report period, the provider must include all invoices that relate to the cost report period and a supporting schedule

documenting the amount of each invoice recorded in the cost report period. In addition, if the property insurance invoice relates to multiple facilities, an allocation of property insurance to each facility is required.

Note: Property insurance related to space leased to other or other space not used for resident care purposes should not be reported as allowable costs on the Medicare cost report and therefore, should be also be removed from property taxes and property insurance reported on Schedules F-1 and F-4. The provider should attach documents supporting the computation of the amounts removed.

Name and Related Party Status of the Administrator and Assistant Administrator – Schedules F-2 and F-3 of the Louisiana Medicaid NF cost report require that the provider provide the names of the administrator(s) and assistant administrator(s) during the cost report period. In the same section, the provider must state affirmatively “yes” or “no” if the administrator(s) or assistant administrator(s) reported on Schedules F-2 and F-3 are related parties as defined in the Provider Reimbursement Manual, Part I (HIM-15).

Food costs – Food costs reported on line 4 on Schedule F-1 of the Louisiana Medicaid NF cost report should include food supplements.

Note: Food costs related to food sold to other providers should not be reported as allowable costs on the Medicare cost report and therefore, should be also be removed from food costs reported on Schedule F-1. The provider should attach documents supporting the computation of the amounts removed.

Contract Services – Contract services reported on lines 3.00 and 3.01 on Schedule F-1 of the Louisiana Medicaid NF cost report should **ONLY** include contract nursing staff. Consultant RN’s, physicians, pharmacists, etc, should NOT be included.

Nurse Aide Training & Testing costs – The Medicare Worksheet A line and column number must be disclosed for any nurse aide training and testing costs reported on Schedule E-1 of the Louisiana Medicaid cost report. Also, salaries and benefits reported on Schedule E-1 of the Louisiana Medicaid NF cost report should be that of instructors only, not the nurse’s aides in training.

Schedule H-1 Ancillary Charges for Specialized Care Services – Facilities providing specialized care services (ID, TDC and NRTP) must complete Schedule H-1 of the Louisiana Medicaid NF cost report.

Schedule H-2 Specialized Care Days and Expenses – Only costs reported on Lines 16 or 18 of the Medicare cost report should be reported on Schedule H-2 of the Louisiana Medicaid NF cost report.

WARNING: While the Medicare cost report may allow more than one option for classifying costs, Medicaid will only recognize costs in a rate and floor component based on the case mix cross-walk shown below. If a facility chooses to classify cost on the Medicare cost report in a manner that excludes that cost from their direct care or care-related rate component and floor, then the cost will forever be excluded from the direct care and care-related rate and floor, unless adjusted at audit or desk review. If there are any questions related to the cross-walk, please contact DHH or Myers and Stauffer for clarification.

Medicare 2540-96 Cost Center Crosswalk to Louisiana Case Mix Rate and Direct Care / Care-Related Components

Cost Center Category	CMS Form 2540-96 Cost Center	Rate / Floor Component					
		Fair Rental Value	Admin. & Operating	Direct Care	Care-Related	Pass-Through	Excluded
General Service Cost Centers ¹	Capital Bldg. & Fixtures / Capital Moveable Equip. ²	X					
	Employee Benefits - allocated based on salaries			X	X		X ³
	Administrative & General		X				
	Maint. & Repair		X				
	Operation of Plant		X				
	Laundry		X				
	Housekeeping		X				
	Dietary		X				
	Nursing Admin.				X		
	Central Service		X ⁴				
	Pharmacy		X ⁴				
	Medical Records		X				
	Social Service				X		
	Activities				X		
Routine Service Cost Centers	Skilled Nursing Facility and Nursing Facility - Salary			X			
	Skilled Nursing Facility and Nursing Facility "Other" Cost				X		
Ancillary Service Cost Centers	Other Routine						X
	Laboratory (Direct Cost)						X
	Respiratory Therapy (Direct Cost)						X
	Physical Therapy (Direct Cost)						X
	Occupational Therapy (Direct Cost)						X
	Speech Pathology (Direct Cost)						X
	Med Supplies Charged (Direct Cost)						X
	Drugs Charged (Indirect & Direct Cost)						X
	Radiology (Direct Cost)						X
	Other Reimbursable Ancillary (Direct Cost)						X
	Other Non-Reimbursable Ancillary (Direct Cost)						X
Other Outpatient Services	Clinic						X
Non-Reimbursable Cost Centers	Apartments / Residential						X
	Gift, Flower, Coffee & Canteen						X
	Other Non-Reimbursable						X

Medicaid Cost Report Cross-Walk to Louisiana Case-Mix Rate and Direct Care / Care-Related Floor Components

Cost Center Category	From Medicaid Schedule F - Specific Cost	Rate / Floor Component					
		Fair Rental Value	Admin. & Operating	Direct Care	Care-Related	Pass-Through	Excluded
Medicaid - Specific Cost Centers ¹	Property Tax & Insurance					X	
	Raw Food				X		
	Provider Fees ⁵					X ⁵	X ⁵
	Direct Patient Care Contract Nursing Cost			X			
	Employee Benefits Directly Allocated to Nursing Cost Centers			X			

¹ Includes all direct cost excluding the portion allocated either directly or indirectly to non-reimbursable cost centers and other long-term care cost centers.

² Fair Rental Value calculation replaces the cost in these cost centers. The capital cost is not used in the development of the Fair Rental Value.

³ The only employee benefits excluded are those that are allocated directly or indirectly to non-reimbursable cost centers and other routine service cost centers; those allocated directly to ancillary cost centers; and those allocated to pharmacy salaries in ancillary cost centers.

⁴ Excludes pharmacy overhead allocation to any ancillary cost centers.

⁵ For rate-setting purposes provider fee expense is removed from the provider's cost (A&G) and a flat add-on amount is added to the rate.

Note: Please note the following issues that may result in lower Direct Care / Care-Related costs included in the floor and rates:

- (a) Missing Patient Activities cost center on Medicare cost report W/S A.
- (b) Direct cost of routine (non-legend) drugs NOT properly reclassified on W/S A-6 to nursing cost centers from the Pharmacy cost center.
- (c) Direct cost of routine medical supplies NOT properly reclassified on W/S A-6 to nursing cost centers from the Central Service cost center.